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Weekly Intelligence Summary No. 35

SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

Latin American Communists will continue to exploit opposition to US shipping interests. (Item No. 1, B)

Lebanon has decided to follow Egypt and ban Palestine-bound vessels from its ports. (Item No. 2, C)

Soviet dissatisfaction with the progress of restoration, construction, and operation of Russian railroads is reflected in the removal of personnel who held many important posts in the Ministry of Ways of Communications. (Item No. 3, B)

The four Stirling bombers which arrived in Cairo during August, apparently for the Egyptian Air Force, are now believed to have come from Melsbroek Field, Brussels. (Item No. 4, B)

Czechoslovakia is continuing to collaborate with Israel in violation of the UN Palestine truce by providing war materiel and airfield facilities for clandestine air transport operations in support of the Israeli armed forces. It is now reported that the Czechoslovaks have sold 37 Spitfire fighter aircraft to Hagannah. These aircraft are being shipped disassembled to Israel in US-owned aircraft. (Item No. 5, B)

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- 2 -

SECTION II. CURRENT DEVELOPMENTS

SURFACE TRANSPORTATION

1. Latin American Communists will continue to exploit, wherever possible, the current opposition of South American business interests to US shipping expansion in South America. It is likely that such opposition will be strongest in Colombia, Ecuador, and Venezuela, in that order. In those countries particularly, the Communists are taking fullest advantage of the chauvinism of the Latinos and the fact that the three countries own and operate a joint shipping company, the Flota Mercante Grancolombiana (the Grand Colombian Fleet). The Flota, a new endeavor, is a source of much pride to the countries concerned, and because of government policies favoring its operations, the Flota has had considerable success against foreign competition, largely from the United States.

The Communist attack stresses alleged US plans to prevent the sale of US vessels to Latin American countries and at the same time to take reprisals against Latin American shipping. The Communist attack, furthermore, warns that the Gran Flota countries may retaliate by exchanging Venezuelan petroleum for European-built ships. The Communists carefully avoid a truthful explanation of the US position: that although sales of war-built vessels are prohibited to all foreign nations under the Ship Sales Act, there is no restriction upon placing orders for new construction in the US. They claim discrimination by the US against Latin American shipping interests rather than pointing out that shortage of dollars and high US costs combine to make the purchase of US vessels financially onerous.

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2. Lebanon will follow the Egyptian lead in excluding Palestine-bound vessels from its ports (see TG Weekly, 6 October 1948). The Lebanese Foreign Office has informed the US Legation at Beirut that, as a member of the Arab League, Lebanon intends to implement the decision of the Political Committee of the League and deny its ports to those vessels carrying certain cargoes to ports occupied by the Zionists.

While the note specifically denies any intention to impose a general boycott on all vessels calling at Jewish ports, there is little doubt that tension prevailing in the area will result in extending the ban to restrict normal commercial traffic as well as contraband cargoes.

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- 8 -

8. Soviet dissatisfaction with the progress of restoration, construction, and operation of Russian railroads is reflected in the replacement of personnel who held many important posts in the Ministry of Ways of Communications (Railroads). The inability of the railroads to meet all of the ambitious goals set by the fourth five-year plan and to keep abreast of other phases of economic development, has been the cause for verbal tongue lashings, exhortations calling for greater effort, and punishments involving many people.

Soviet leaders are angered and worried by the failure of the railway system to meet all established goals and are spurred by the fact that Soviet economy continues to be primarily reliant on railway operation. (Soviet railways handle approximately 90 percent of the total internal freight volume.) Intense pressure will continue to be exerted upon railway officials and workers in a desperate attempt to flog them to greater efforts.

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CIVIL AVIATION

4. The four Sterling bombers which arrived in Cairo during August, apparently for the Egyptian Air Force, are now believed to have come from Melsbroek Field, Brussels. These bombers, modified and registered in Belgium as civil transports, were reported for sale as early as June by the Air Transport Co. (ATC) of Brussels, a small charter company. ATC reportedly possessed licenses to export these aircraft to Tangiers Charter Co., which in turn could complete the sale to buyers in the Near East. ATC was at that time interested in sale of the aircraft to Israeli interests.

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5. Czechoslovakia is continuing to collaborate with Israel in violation of the UN Palestine truce by providing war materiel and airfield facilities for clandestine air transport operations in support of the Israeli armed forces. It is now reported that the Czechoslovaks have sold 87 Spitfire fighter aircraft to Hagannah. These aircraft are being shipped disassembled to Israel in US-owned aircraft whose registrations were recently cancelled by the Government of Panama because of their use in violation of the UN Truce. The Panamanian flags, which

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- 4 -

formerly appeared on these aircraft have now been replaced by US flags, and possibly by false US registration numbers, in an apparent attempt to divert suspicion from continued clandestine operations. The Czechoslovak base of operations has reportedly been transferred from Zatec to Kunovice (near Brno), where the aircraft are believed to be disassembled. The transfer of operations to Kunovice was probably also dictated for security reasons, following official US protests regarding the Zatec operations.

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